

Message Text

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S/S : J. HOGANSON

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TO AMEMBASSY MANILA PRIORITY

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EXDIS, FOR AMBASSADOR SULLIVAN

E.O. 11652: GDS

TAGS: MARR, RP

SUBJECT:PHILIPPINE BASE NEGOTIATIONS: REQUEST FOR
NEGOTIATING AUTHORITY

REF: STATE 181985

FYI. UNDER SECRETARY MAW ON JULY 28 SENT THE FOLLOWING
MEMORANDUM TO THE DIRECTOR OF THE OFFICE OF MANAGEMENT AND
BUDGET:

QUOTE. PHILIPPINE BASE NEGOTIATIONS: REQUEST FOR
NEGOTIATING AUTHORITY.

IN CONNECTION WITH THE CURRENT US-PHILIPPINE BASE NEGOTIA-
TIONS, THE SECRETARY OF STATE RECOMMENDED TO THE PRESIDENT
ON MAY 7, 1976 THAT HE AUTHORIZE THE U.S. NEGOTIATORS TO
PROPOSE, INITIALLY, TO THE PHILIPPINE GOVT A FIVE-YEAR
SECURITY ASSISTANCE PROGRAM CONSISTING OF A COMBINATION OF
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GRANT AND CREDITS AND LOAN GUARANTEES TOTALING \$50 MILLION

EACH YEAR, SUBJECT TO CONGRESSIONAL APPROPRIATION OF FUNDS. THE SECRETARY ALSO RECOMMENDED THAT THE PRESIDENT AUTHORIZE THE U.S. NEGOTIATORS TO INCREASE THE SIZE OF THE PROFFERED PROGRAM, IF NECESSARY, UP TO A MAXIMUM OF \$50 MILLION IN GRANT AND \$50 MILLION IN CREDITS AND LOAN GUARANTEES EACH YEAR FOR A PERIOD OF FIVE YEARS, SUBJECT TO CONGRESSIONAL APPROPRIATION OF FUNDS.

I UNDERSTAND THAT YOU HAVE DEFERRED FORWARDING THE MATTER TO THE PRESIDENT FOR DECISION IN THE ABSENCE OF ANY INDICATION OF A PHILIPPINE ASKING PRICE. ALTHOUGH THE PHILIPPINE SIDE HAS NOT YET COME UP WITH A REQUESTED AID FIGURE OF ITS OWN IN THE COURSE OF THE NEGOTIATIONS, THEY HAVE PROVIDED A LENGTHY LIST OF EQUIPMENT NEEDS. THIS LIST OF EQUIPMENT NEEDS, BASED ON A PHILIPPINE FORCE MODERNIZATION PLAN, COSTS OUT VERY ROUGHLY AT \$3.6 BILLION OVER FIVE YEARS. IN PRESENTING THIS LIST TO AMBASSADOR SULLIVAN, THE PHILIPPINE NEGOTIATOR NOTED THAT HIS GOVT COULD USE "ALMOST ANY FIGURE". HE TOLD OUR AMBASSADOR THAT THE PHILIPPINES HAD NO INTENTION OF ASKING THE U.S. TO FINANCE THE ENTIRE PLAN, BUT WISHED TO KNOW HOW MUCH CONTRIBUTION THE U.S. WOULD BE PREPARED TO MAKE TO IT.

AMBASSADOR SULLIVAN HAS NOW RECOMMENDED THAT HE BE AUTHORIZED TO OFFER AT AN EARLY DATE, AS AN INITIAL FIGURE, \$34 MILLION IN GRANT FUNDS, TO BE MATCHED BY \$34 MILLION IN CREDITS AND LOAN GUARANTEES ON AN ANNUAL AVERAGE OVER A FIVE-YEAR PERIOD. HE FURTHER RECOMMENDS THAT PRESIDENTIAL AUTHORITY BE OBTAINED TO GO AS HIGH AS \$50 MILLION IN GRANTS AND \$50 MILLION IN CREDITS AND LOAN GUARANTEES ON AN ANNUAL AVERAGE OVER A FIVE-YEAR PERIOD.

AMBASSADOR SULLIVAN'S PROPOSED FIGURE OF \$34 MILLION IN GRANT AID IS ROUGHLY DOUBLE THE CURRENT MAP GRANT FIGURE. THE DEPARTMENT BELIEVES THAT \$30 MILLION WOULD NOT BE AS LIKELY TO BE CONSIDERED BY THE CONGRESS AS AN UNREASONABLE JUMP OVER PRESENT LEVELS AND WOULD STILL BE VIEWED BY THE FILIPINOS AS A SERIOUS NEGOTIATING OFFER. WE RECOMMEND, THEREFORE, THAT AMBASSADOR SULLIVAN BE AUTHORIZED TO MAKE AN INITIAL OFFER IN THE NEGOTIATIONS OF \$30 MILLION IN

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GRANT FUNDS AND \$34 MILLION IN CREDITS AND LOAN GUARANTEES ON AN ANNUAL AVERAGE OVER A FIVE-YEAR PERIOD, WITH THE TIMING AND CONDITIONS OF SUCH AN OFFER TO BE DETERMINED BY THE SECRETARIES OF STATE AND DEFENSE. WE UNDERSTAND THAT THE DEPARTMENT OF DEFENSE IS SUGGESTING A SIMILAR INITIAL PROPOSAL.

THE DEPARTMENT ALSO RECOMMENDS THAT AUTHORITY BE GRANTED

TO RAISE THIS INITIAL OFFER IN THE COURSE OF THE NEGOTIATIONS UP TO \$50 MILLION IN GRANTS AND \$50 MILLION IN CREDITS AND LOAN GUARANTEES ON AN ANNUAL AVERAGE OVER A FIVE-YEAR PERIOD, WITH THE TIMING AND CONDITIONS OF ANY INCREASE IN THE INITIAL OFFER TO BE DETERMINED BY THE SECRETARIES OF STATE AND DEFENSE. IN OUR VIEW, THE CEILING FIGURE SHOULD BE EXPRESSED AS "\$100 MILLION, OF WHICH NO MORE THAN \$50 MILLION IS TO BE IN THE FORM OF GRANTS". THIS WILL ALLOW US TO ALTER THE PROPORTIONS OF GRANTS TO FMS FINANCING DEPENDING ON THE NEGOTIATING SITUATION. UNQUOTE. KISSINGER

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